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The State Visit: President Marcos's Objectives

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An Intelligence Memorandum

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**The State Visit:
President Marcos's Objectives**

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Summary

*Information available
as of 30 August 1982
was used in this report*

President Marcos's main objective for his state visit to Washington next week is the endorsement of his regime by a US administration. He believes he will achieve this goal, which he has sought for 10 years.

He also regards the visit as a chance to enhance prospects for eventual US concessions on outstanding bilateral security and economic issues. Marcos wants:

- To obtain a \$1.5 billion compensation package for the continued US use of Clark Air Base and Subic Naval Base for 1985-89.

- Further recognition of Philippine sovereignty over the bases. 25X1
- Further demonstration of Washington's commitment to Philippine security. 25X1

Manila believes that the revised Bases Agreement can go much further than the present agreement in generating economic development spinoffs in the vicinity of the bases.

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On economic issues:

- Marcos is seeking more favorable US import treatment of a variety of Philippine goods as well as demonstrations of "special treatment" for Philippine products.
- Manila wants additional Exim Bank financing to complete the country's first nuclear power plant, a facility supplied by Westinghouse.
- Manila wants the United States to influence the IMF to ease its preconditions on Philippine domestic economic policy before granting balance-of-payments loans.

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**The State Visit:
President Marcos's Objectives**

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Overriding Goals

President Marcos is undertaking his state visit to accomplish a goal he has sought for over a decade: implicit endorsement of his regime by a US administration.¹ He believes he has been denied this by previous US governments because of adverse popular reaction in the United States to his declaration of martial law in 1972 and subsequent dismantling of Philippine democratic political institutions. Since he lifted martial law in January 1981 and won reelection to a new six-year term the following June, however, he no longer perceives himself as head of a crisis government and believes he should no longer be characterized as a "dictator" in the derogatory sense of the word. He expects his visit to legitimize his status as international statesman and affirm equal partnership with the United States.

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We believe two events will shape both his specific goals and much of his conduct while in Washington. Marcos suffered a highly publicized setback to his health, probably viral pneumonia, in mid-August. The infection was apparently not serious and subsided after a brief hospitalization. It, nonetheless, produced new rumors about Marcos's health and, thus, the durability of his regime. This could not have come at a worse time for a man who wants to leave no doubts in Washington about his permanence or legitimacy. We believe his sense of need for concrete achievements from the visit will be magnified accordingly.

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The visit also precedes by only a few months the beginning of the five-year review of the Military Bases Agreement.² The review timetable and venue have yet to be decided, although the bulk of the negotiations will take place next year. Marcos's advisers have urged him to suggest to the US

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¹ In January 1979 the United States and the Philippines signed an amendment to the Military Bases Agreement calling for a "complete and thorough" review every five years until 1991, when it becomes subject to termination by either party with one year's notice. The review is to include a "reassessment of the Agreement's objectives, duration, and manner of implementation." The United States agreed to a \$500 million Security Assistance Program, including \$250 million in Foreign Military Sales credits, \$50 million in direct military assistance, and \$200 million for an Economic Support Fund to support the development of economic infrastructure near the bases.

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administration that negotiations begin late this fall in Manila, and he may well raise this possibility.¹

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Preparation for the Visit

Marcos expects the visit to be highly successful.

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Marcos

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believes the present US administration is more favorably disposed toward him and his government than previous administrations, which he believes were excessively interested in human rights and Philippine domestic politics.

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Marcos remains concerned that a prevailing poor image of his government in the United States may compromise his visit's chance for success.

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At the very least, he probably expects human rights to be the subject of "quiet diplomacy." He has accordingly made several recent speeches denying "one-man rule" and claiming that "political normalization" in the Philippines is on schedule.

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At the same time, Marcos has recently criticized Western press reporting about his government, and the Manila media—owned by Marcos's associates—has written extensively recently on the alleged bias of the Western

¹ However, Marcos has been informed by the US Embassy that Washington prefers to begin discussions in April 1983.

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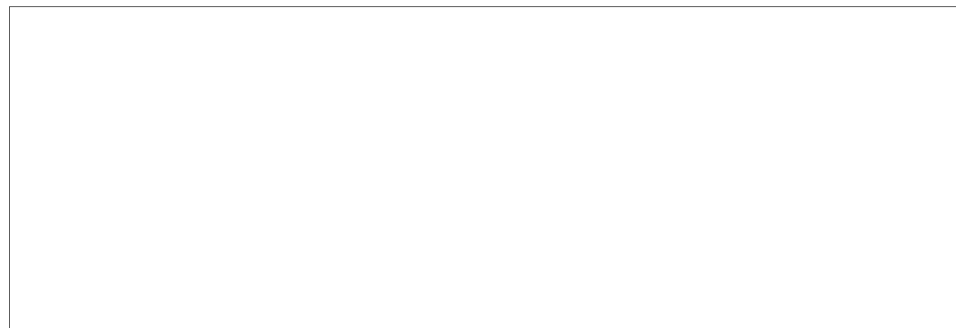
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press in reporting events in the Philippines. Marcos last month lashed out vehemently at a BBC documentary featuring one of his most articulate political opponents. Imelda Marcos also recently warned the American media that the Marcos party should be favorably treated by the press while it is in the United States.

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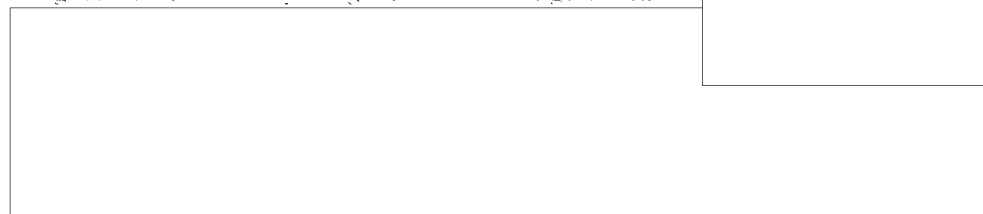
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Key Objectives-- National Security

The major, specific long-term objectives that will shape Marcos's conduct with US officials -- and which he may raise individually -- are security issues. Marcos believes that the Philippines negotiated from a position of weakness in 1978, when the 1947 bases agreement was reviewed, because the United States was withdrawing some of its military forces from Asia. He believes, therefore, that the Philippine US strategic relationship, as embodied in the existing Military Bases Agreement, is heavily weighted in Washington's favor.

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Marcos believes that the importance of the bases has grown with a more assertive US strategic posture, with events in the Middle East, and with Soviet use of Vietnamese air and naval facilities. While here, we believe he is likely to raise the issue of the bases review in the context of broad support for US strategic objectives. The expectation that Congress will offer little resistance to requests for increased defense spending, and an appreciation of the timing of the 1984 US budget process could lead Marcos to bring up the compensation issue with US officials during the visit.

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For the longer term, Marcos will focus on three major issues for the bases review, and he will regard his visit as a chance to enhance prospects for eventual US concessions:

The Sovereignty Issue

- Marcos wants Philippine law to prevail inside the bases.
- Philippine administration should take precedence over unhampered US operation of the bases unless explicitly waived.
- Manila wants provisions for annual, as opposed to five-year, review. Alternatively, it would accept a provision for unilateral abrogation of the agreement, which it believes would substantially enhance its future bargaining power.
- Manila would like to write the term "rent" or "compensation" into the agreement, avoiding use of the term "aid" or "assistance," favored by US authorities.
- Marcos would like the bases to have Filipino names.
- Philippine command in substance, rather than ceremony, is preferred. Marcos would also like the Philippine commander to administer the bases from the bases themselves, rather than from Manila, as is now the case.
- Ongoing technical-level discussions have failed to resolve differences over Philippine treatment of US personnel and materials entering the bases from abroad. Marcos may argue Manila's position with US officials during the visit if it is not cleared up beforehand.

The Security Issue

- Marcos wants a reaffirmation of the US commitment to Philippine security.
- Compensation must ease the Philippine military's budget constraints. Although Manila will probably be prepared to budge from its initial demand for \$1.5 billion, Marcos will not take an offer to preserve the prevailing level of compensation seriously.

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- The compensation issue should not obscure other security issues and should be disposed of early.

The Economic Development Issue

- Manila believes the economic assistance package should be separate from the compensation issue.
- The bases should have economic development spinoffs. Thus, Marcos may attempt to secure increased use of Filipino contractors.
- The United States should provide for a gradual phaseout of the bases operation in the event it becomes necessary, so that adverse economic effects are minimized.
- If the compensation package is deemed inadequate, Manila is prepared to seek additional concessions on trade and finance issues. [redacted]

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**Key Objectives—
Trade and Finance**

Bilateral trade and financial issues are of less long-term importance to Manila, but are more pressing bilateral negotiating matters. We believe Marcos, for this reason, will be more likely to raise the specifics of economic issues than to indulge in the specifics of security issues. In addition, Marcos is heavily influenced by his Prime Minister, Cesar Virata, an economist who feels more strongly about economic matters than about issues relating to the bilateral security relationship. On the other hand, Manila's bargaining position on economic issues is much weaker than it is on security issues. Marcos thus runs the risk of diminishing the symbolic success of the visit if he dwells on differences over specific economic matters. Outstanding economic matters include:

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Trade Issues

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- Manila wants technical changes in US trade policy that would lower duties on US imports from the Philippines. [redacted]

[redacted]

[redacted]

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- Manila would like to conclude renegotiation of an agreement governing bilateral trade in textiles. [redacted]

[redacted]

[redacted]

- Manila has concluded as a result of its own research that the Caribbean Basin Initiative will probably do it little short-run harm, but its public statements generally run contrary to this view. Marcos, moreover, has interpreted the Initiative to mean that Washington is not opposed to special trade arrangements. This comes at a time he needs further demonstrations that a "special relationship" exists between the Philippines and the United States.

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[redacted]

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Financial Issues

- Manila requires an additional \$350 million to finance the completion of its first nuclear plant, a two-thirds finished facility supplied by Westinghouse. He is seeking Exim Bank financing to complete the project, but may settle for a restructuring of the existing Philippine Exim Bank debt.

- Manila objects to US opposition to concessional export credits to developing countries. Marcos's technocrats may press him to raise this while in Washington.

- Prime Minister Virata objects strongly to restrictions on domestic economic policy imposed by the IMF as a condition for balance-of-payments loans. [redacted]

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[redacted] Marcos may seek US support in IMF forums for Manila's position that more lenient conditions are appropriate.

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- We are seeking a bilateral investment treaty that would govern Manila's treatment of both new US investment in the Philippines and existing American holdings there. Marcos may link this to US concessions on trade issues. [redacted]

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After the Visit

We believe the visit will probably prove a high point in the bilateral relationship. After the visit, the realities of outstanding differences on trade, financial, and security matters will remain for both sides to deal with. The Military Bases Agreement review, in particular, will begin almost immediately. Differences on most trade and financial issues are long standing and will not lend themselves to easy settlement. [redacted]

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Marcos's own views on bilateral issues are also subject to change. The Philippines face fairly serious economic and security problems that are likely to grow worse over the next several years before showing any improvement. Manila's sense of need for "special treatment" by Washington thus seems certain to grow. At the same time, we believe Marcos is likely to translate any demonstration of support he obtains for his government during his visit into expectations that this treatment will be forthcoming later. [redacted]

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